

## Message Text

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TO AMEMBASSY KUALA LUMPUR

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E.O. 11652:N/A

TAGS: EPAP, EAID, ID, MY

SUBJECT: PALM OIL: GOM PROTEST OF US ACTION

S

REF: KUALA LUMPUR 5097

1. THE FOLLOWING IS THE US RESPONSE TO THE MALAYSIAN AIDE  
MEMOIRE TRANSMITTED IN REFTEL. THE EMBASSY SHOULD CONVEY  
IT IN WRITING TO APPROPRIATE MALAYSIAN OFFICIALS. TEXT  
FOLLOWS: -

2. QUOTE: THE UNITED STATES GOVERNMENT IS PLEASED TO  
ACKNOWLEDGE THE COMMENTS OF THE GOVERNMENT OF MALAYSIA  
CONCERNING THE ROLE THAT INTERNATIONAL LENDING AGENCIES  
HAVE PLAYED IN THE DEVELOPMENT OF A STRONG AND DYNAMIC  
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PALM OIL INDUSTRY IN MALAYSIA AND THE IMPORTANT ROLE THAT

THIS DEVELOPMENT IS PLAYING IN IMPROVING THE LIVING CONDITIONS OF THE RURAL POPULATION. WE CONTINUE TO REGARD SYMPATHETICALLY THE PROGRESS MADE BY MALAYSIA IN THIS KEY SECTOR OF SOCIETY.

AT THE TENTH SESSION OF THE FAO INTERGOVERNMENTAL GROUP ON OILSEEDS, OILS AND FATS, IN WHICH MALAYSIA WAS AN ACTIVE PARTICIPANT, CONCERN WAS EXPRESSED OVER A POSSIBLE SHORT-TERM OVER-SUPPLY IN THESE PRODUCTS. THE GROUP EMPHASIZED THE NEED FOR A REVISED AND UP-DATED ASSESSMENT OF THE LONG-TERM SUPPLY AND DEMAND OUTLOOK FOR OILSEEDS, OILS AND FATS AND OILMEALS, AND SEVERAL DELEGATES AGREED THAT THIS REASSESSMENT SHOULD BE GIVEN HIGH PRIORITY IN THE GROUP'S PROGRAM OF WORK.

SHARING THESE CONCERNS THE UNITED STATES GOVERNMENT INDEPENDENTLY UNDERTOOK AN ASSESSMENT OF THE SUPPLY/DEMAND PROSPECTS FOR OILSEEDS AND PRODUCTS WITH PROJECTIONS TO 1985. THIS STUDY INDICATED THAT A STRONG DEMAND WILL EXIST FOR THE PROTEIN MEAL PORTION OF OIL BEARING PRODUCTS. AS A RESULT, SUBSTANTIAL QUANTITIES OF OIL WOULD BECOME AVAILABLE FROM THESE CRUSHINGS. FOR THIS AND OTHER REASONS, THE WORK CONCLUDED THAT WORLD MARKET PROSPECTS FOR EDIBLE OILS ARE SUFFICIENTLY UNCERTAIN THAT THERE IS A NEED FOR EXERCISING CAUTION WITH REGARD TO INCREASING THE SUPPLY OF EDIBLE OILS IN THE FUTURE.

IN LIGHT OF THE UNCERTAIN MARKET PROSPECTS, THE UNITED STATES GOVERNMENT HAS DEVELOPED GUIDELINES FOR US POLICY REGARDING ITS SUPPORT OF FURTHER FINANCING OF PALM OIL PROJECTS BY INTERNATIONAL FINANCIAL INSTITUTIONS. THESE GUIDELINES TAKE INTO ACCOUNT THE CURRENT STATUS OF A PROPOSED PROJECT BEING CONSIDERED BY A FINANCIAL INSTITUTION, THE CAPABILITY OF OBTAINING COMMERCIAL FINANCING, AND THE END USE OF OIL FROM THAT PROJECT.

THE GOVERNMENT OF MALAYSIA MAY BE ASSURED THAT THIS POLICY IS BY NO MEANS DESIGNED TO CREATE MONOPOLISTIC CONDITIONS FOR US SOYBEAN OIL IN THE WORLD MARKET FOR EDIBLE FATS AND OILS. TOTAL UNITED STATES EXPORTS OF LIMITED OFFICIAL USE

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SOYBEAN OIL REPRESENT LESS THAN ONE QUARTER OF WORLD TRADE IN FATS AND OILS, AND THE UNITED STATES INDUSTRY IS COMPOSED OF A LARGE NUMBER OF INDEPENDENT PRODUCERS AND TRADERS WHO OPERATE WITHOUT GOVERNMENT CONTROL OR COORDINATION.

FURTHERMORE, THE UNITED STATES HAS ACTIVELY SOUGHT A LIBERALIZATION OF WORLD TRADE IN OILSEEDS AND OIL AND

MAINTAINS NO QUANTITATIVE RESTRICTIONS OR IMPORT DUTIES ON PALM OIL. THE UNITED STATES AT PRESENT IMPORTS MORE PALM OIL THAN ANY OTHER COUNTRY. IN ACCORDANCE WITH THIS POLICY, THE UNITED STATES ADMINISTRATION HAS SUCCESSFULLY OPPOSED ALL MEASURES WHICH WOULD HAVE RESTRICTED THE ACCESS OF PALM OIL TO THE US MARKET. WE NOTE WITH SATISFACTION MALAYSIAN AWARENESS OF THE ADMINISTRATION'S POSITION IN THIS REGARD.

THE GOVERNMENT OF MALAYSIA NOTES THAT, IN ADDITION TO

NORMAL COMMERCIAL SALES, THE UNITED STATES GOVERNMENT ALSO PROVIDES A CONSIDERABLE AMOUNT OF FOOD AID THROUGH THE PROVISIONS OF PL 480. THIS ASSISTANCE TO DEVELOPING COUNTRIES WITH FOOD DEFICITS IS PART OF OUR CONTINUING COMMITMENT TO HELP SUCH COUNTRIES COMBATE HUNGER AND MALNUTRITION AND TO DEVELOP THEIR OWN AGRICULTURE. WHILE EDIBLE OIL IS ONE OF THE COMMODITIES PROVIDED BY THE UNITED STATES UNDER THIS PROGRAM, IT REPRESENTS LESS THAN ONE PERCENT OF THE TOTAL FOOD AID PROVIDED UNDER PL 480. TO ENSURE THAT PL 480 PROGRAMING DOES NOT DISRUPT NORMAL COMMERCIAL MARKETS THE UNITED STATES GOVERNMENT CAREFULLY OBSERVES THE FAO PRINCIPLES OF SURPLUS DISPOSAL TO WHICH BOTH MALAYSIA AND THE UNITED STATES SUBSCRIBE.

AS MAJOR PRODUCERS OF THEIR RESPECTIVE VEGETABLE OILS AND RECOGNIZING THE UNCERTAIN PICTURE AS REGARDS FUTURE WORLD DEMAND FOR VEGETABLE OILS, THE GOVERNMENTS OF MALAYSIA AND THE UNITED STATES HAVE A COMMON INTEREST IN POLICIES DESIGNED TO EXPAND THE MARKET FOR VEGETABLE OILS IN LIGHT OF EXPANDING PRODUCTION. SPECIFIC AREAS OF COMMON CONCERN INCLUDE (1) VIGOROUS EFFORTS TO REDUCE AND ELIMINATE FOREIGN TARIFF AND NON-TARIFF BARRIERS THAT RESTRICT LIMITED OFFICIAL USE

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OILSEED AND VEGETABLE OIL IMPORTS, (2) ACCELERATED RESEARCH TO EXPAND INDUSTRIAL AND OTHER NON-FOOD USES OF VEGETABLE OILS IN PRODUCTS SUCH AS SOAPS AND DETERGENTS AND FEED FATS, AND (3) MARKET DEVELOPMENT ACTIVITIES TO EXPAND DEMAND FOR VEGETABLE OILS IN FAT DEFICIT REGIONS. WE LOOK FORWARD TO WORKING WITH THE GOVERNMENT OF MALAYSIA IN APPROPRIATE FORUMS IN ADDRESSING THESE MATTERS. END QUOTE. ROBINSON

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